

**FAR Chemical Industries Limited**

**Auditor's Report & Financial Statements.**  
For the year ended June 30, 2019

**SHIRAZ KHAN BASAK & CO.**  
**CHARTERED ACCOUNTANTS**  
R.K Tower (Level-10)

86, Bir Uttam C.R Datta Road (312, Sonargaon Road) Hatirpool, Dhaka-1205.

**SHIRAZ KHAN BASAK & CO.**  
**CHARTERED ACCOUNTANTS**

*(An associate firm of D. N. Gupta & Associates)*

**R. K. TOWER** (Level-10)  
 86, Bir Uttam C.R. Datta Road  
 (312, Sonargaon Road). Dhaka-1205  
 Tel : 88-02-9635139, 88-02-9673597  
 Mobile : 01552-638228, 01711-520770  
 01922-117370, 01757-941837  
 E-mail : shirazkhanbasak@yahoo.com

**Independent Auditor's Report  
 To the Shareholders of  
 FAR Chemical Industries Limited**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of FAR Chemical Industries Limited (the "Company"), which comprise the Statement of Financial Position as at 30 June 2019 and Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and other applicable laws and regulations.

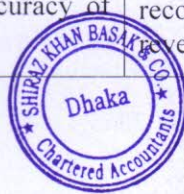
**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matters	Our response to key audit matters
<p><b>Revenue recognition</b></p> <p>At year end the company reported total revenue of BDT 1,186,680,670.</p> <p>The company generates revenue from sale of goods to export customers. The timing of the revenue recognized and realized increases the risk of exposure of revenue to foreign exchange fluctuations.</p> <p>There is also a risk that revenue may be overstated/understated due to the timing differences between L/C opening and goods exported.</p> <p>We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company, which give risk to an inherent risk of the existence and accuracy of the revenue.</p>	<p>We have tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period;</li> <li>- Segregation of duties in invoice creation and modification and timing of revenue recognition;</li> <li>- Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</li> <li>- Obtain supporting documentation for sale transaction recorded either side of year end to determine whether revenue was recognized in the current period;</li> </ul>



*RK*

# SHIRAZ KHAN BASAK & CO.

## CHARTERED ACCOUNTANTS

(An associate firm of D. N. Gupta & Associates)

**R. K. TOWER** (Level-10)  
86, Bir Uttam C.R. Datta Road  
(312, Sonargaon Road). Dhaka-1205  
Tel : 88-02-9635139, 88-02-9673597  
Mobile : 01552-638228, 01711-520770  
01922-117370, 01757-941837  
E-mail : shirazkhanbasak@yahoo.com

- Comparing a sample of revenue transactions recognized during the year with the sale invoices and other relevant underlying documentation;
- Critically assessing manual journals posted to revenue to identify unusual or irregular items, and finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.

[See note number 19 for details]

### Valuation of Inventory

The inventory of BDT 468,297,673 as at 30<sup>th</sup> June 2019, held in warehouses and across multiple product lines in the factory.

Inventory value is measured as follows:

Inventories are stated at the lower of cost and net realizable value in accordance with IAS 2 'Inventories'. As a result, the management apply judgment in determining the appropriate values for value in use, work-in-progress, values for slow moving or obsolete items and need to apply impairment provision.

While excess holding of inventories could impact efficient use of working capital similarly lower level of inventories can result in stock outs or irregular supply to the market.

We challenged the appropriateness of management's assumptions applied in calculating the value of the inventory provisions by:

- Evaluating the design and implementation of key inventory controls operating across the company's factory and warehouse;
- Challenging the completeness of inventory provisions through assessing actual and forecast sales of inventory lines to assess whether provisions for slow-moving/obsolete stock are valid and complete.
- Reviewing the historical accuracy of inventory provisioning and the level of inventory write-offs during the year;
- Comparing the net realizable value, obtained through a detailed review of sales subsequent to the year-end, to the cost price of a sample of inventories and comparison to the associated provision to assess whether inventory provisions are complete;
- We discussed with management about their sales forecasting procedures and ordering of inventories, and inquired about remedial action taken in case of excess or shortage of inventories due to difference in forecast and actual results.

[See note number 06 for details]

### Valuation of Property, Plant and Equipment

The carrying value of the PPE amounted to BDT 1,847,141,781 as at 30 June 2019. The valuation of PPE was identified as a key audit matter due to the significance of this balance to the financial statements.

Expenditures are capitalized if they create new or enhance the existing assets, and expensed if they relate to repair or maintenance of the assets. Classification of expenditures involves judgment. The useful lives of PPE items are based on management's estimates regarding the period during which the asset or its significant part

Our audit included the following procedures:

- We reviewed the opening balances of PPE which was audited by another auditors including assessed the addition during the year under our audit, checked the related accounting treatment and associated deferred tax as recognized by the company.
- We assessed whether the accounting policies in relation to the capitalization of expenditures are in compliance with IFRS and found them to be consistent;



